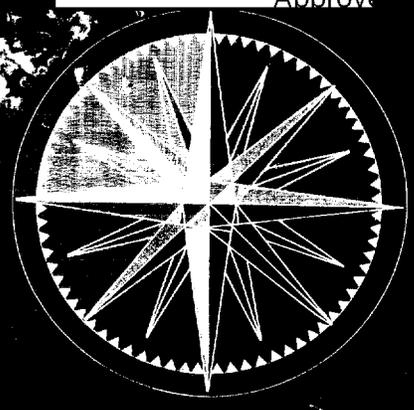


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SPECIAL REPORT

THE MORO GOVERNMENT'S PROGRAM AND PROSPECTS

MORI/CDF #11803,
mpages 1 & 3-10

CENTRAL INTELLIGENCE AGENCY OFFICE OF CURRENT INTELLIGENCE

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THE MORO GOVERNMENT'S PROGRAM AND PROSPECTS

Italy has embarked on its long-awaited "opening to the left"--the culmination of efforts to wean Pietro Nenni's Socialists from their alliance with the Italian Communist Party into a cabinet coalition with the Christian Democrats. The "opening" also seeks to modernize Italy's social and economic institutions. The obstacles, however, are formidable; the government program of domestic reforms together with continuing pro-Western foreign and defense policies is opposed by important elements within both main parties.

The Coalition Program

Aldo Moro's coalition is the first Italian government since the cold war began to have the active participation of the Italian Socialist Party (PSI).

This is the result of an agreement under which the traditionally neutralist PSI will support Italy's NATO commitments in return for action on an extensive domestic reform program hitherto sidetracked by conservative Christian Democrats (CD). Most economic posts are held by reform-minded ministers. The foreign affairs, defense, and security ministries are held by long-time backers of pro-Western policies. By and large, the present cabinet is younger than its predecessors, and it has a high degree of technical competence.

Important elements in both main parties, however, resisted the formation of a center-left government. Even within the cabinet there is coolness toward some aspects of the program.

A full turn to the center-left has long been anticipated in Italian politics and many political careers are staked on its success. If it does succeed, the center and non-Communist left will probably be permanently strengthened at the expense of the extremes. If it fails, the chances of political polarization to the advantage of the Communists will be greatly enhanced. There will almost certainly be no return, however, to the political immobilism which characterized the 1950s.

The government program, painfully negotiated among the four coalition parties in November, is aimed mainly at overhauling Italy's social and economic structure to give a more equitable distribution of the national wealth. Specifically, this calls for changing the incidence of taxation, expanding the educational system, decentralizing government administration, and speeding up industrialization in the economically backward southern areas.

The obstacles are formidable. To begin with, Italy's current economic difficulties will force the government to inaugurate a series of austerity measures not envisaged in the basic reform program. The program is little different from those to which all recent Italian governments have subscribed but which have gone largely unimplemented because of well-entrenched conservative opposition. How much of the program now will be carried out depends, to a considerable degree, on the personal effectiveness of Moro and certain of his cabinet colleagues.

Moro and Nenni

Premier Moro (CD) and Vice Premier Nenni (PSI) dominate the coalition which includes the Social Democrats (PSDI) of Giuseppe Saragat and the Republicans (PRI) represented by Oronzo Reale. Both Moro and Nenni are skillful in the art of compromise, but other qualities are also needed to implement the government's program. Moro has yet to demonstrate the greater toughness he will need as Premier, and Nenni has had no cabinet experience since 1947.



ITALIAN CABINET

(Sworn in on 5 December 1963)

Ministry	Minister and Party	Age	Years in cabinets since June 1945
Premier	Aldo Moro (CD Center)	47	3
Vice Premier	Pietro Nenni (PSI)	72	1 1/2
Minister of Foreign Affairs	Giuseppe Saragat (PSDI)	65	6
Minister of Defense	Giulio Andreotti (CD Extreme Right Wing)	44	8 1/2
Minister of the Budget	Antonio Giolitti (PSI)	48	0
Minister of Finance	Roberto Tremelloni (PSDI)	63	5 1/2
Minister of the Treasury	Emilio Colombo (CD Center)	43	8 1/2
Minister of Interior	Paolo Taviani (CD Center)	51	10
Minister of Justice	Oronzo Reate (PRI)	61	0
Minister of Education	Luigi Gui (CD Center)	49	3
Minister of Public Works	Giovanni Pieraccini (PSI)	45	0
Minister of Agriculture	Mario Ferrari-Aggradi (CD Left Wing)	47	2
Minister of Transport	Angelo Jervolino (CD Center)	73	5
Minister of Post and Telecommunications	Carlo Russo (CD Center)	43	2
Minister of Industry	Giuseppe Medici (CD Center)	56	6 1/2
Minister of Labor	Giacinto Bosco (CD Left Wing)	58	3 1/2
Minister of Foreign Trade	Bernardo Mattarella (CD Center)	58	7
Minister of Merchant Marine	Giovanni Spagnoli (CD Center)	56	0
Minister of State Participation	Giorgio Bo (CD Left Wing)	58	6
Minister of Health	Giacomo Mancini (PSI)	47	0
Minister of Tourism	Achille Corona (PSI)	49	0
Ministers without Portfolio	Attilio Piccioni (CD Center)	71	10
	Giulio Pastore (CD Left Wing)	61	5
	Luigi Preti (PSDI)	49	2
	Umberto Delle Fave (CD Center)	51	1/2
	Carlo Annadi (PSI)	64	0

Although belonging to the center faction holds views similar to the conservative right

The four coalition partners are the Christian Democratic Party (CD), the Socialist Party (PSI), the Social Democratic Party (PSDI), and the Republican Party (PRI).

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The issue of regional administrations may be an early test of the ability of both men to maintain the coalition. Nenni has implied he will press hard for the establishment of these regional governments, called for by the constitution but never implemented by legislation. Early Parliamentary consideration of this issue is given high priority in the program of the new government, but the Christian Democrats demand, as a prerequisite to legislation, a firm commitment from the PSI not to join forces with the Communists in the regional administrations thus created.

The Economic Emergency

Another major concern of the government will be legislation to cope with such increasingly serious economic difficulties as inflation and this year's large balance of payments deficit. The coalition partners agree on the need for austerity, but there are potential difficulties in the way of effective action. Chief of these is the Communists' strategy to push the Italian General Labor Confederation (CGIL)--which they dominate--into disruptive strikes. The intent is not only to create disorders, but also to embarrass the PSI, whose labor union members belong to CGIL.

In this situation, the role of Labor Minister Bosco (CD) will be critical. He showed skill as a mediator when he averted an extensive strike in early December. However, he has a reputation

for stubbornness, and may not be sufficiently flexible in future labor disputes.

The Money Ministries

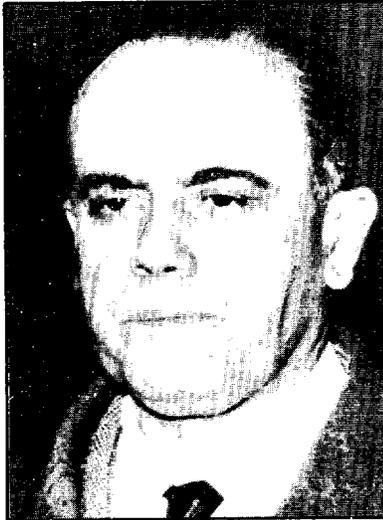
The Socialists managed to get only one key economic ministry. Budget Minister Giolitti will be responsible for drafting a series of five-year plans to coordinate economic activity--a key element in the PSI program. Giolitti is one of the authors of the moderately worded report on which the PSI's current economic program is based. He is the only cabinet representative of the Lombardi faction, which blocked PSI entry into the coalition in June.

Finance Minister Tremelloni of the Social Democratic Party (PSDI) will have an important role in instituting tax reforms and modernizing the social security system. He is a noted economist, the author of Italy's most important postwar tax legislation, and one of the drafters of an upcoming antimonopoly bill. He advocates greater government intervention in the economy.

Treasury Minister Colombo--more conservative politically than most members of the large center CD faction--is one of Italy's most energetic politicians. Only 43, he has been in all cabinets since mid-1955 as a minister of Agriculture, Trade, or Industry. He is close to President Segni and may be influenced by Segni's negative attitude toward the present government.



PIERACCINI



BO



MEDICI

Other Economic Posts

The government's commitment to austerity implies some curtailment of the activities of the Ministry of Public Works. The new minister, Giovanni Pieraccini, is a powerful leader of the PSI, with broad experience in labor matters. He stands to be embarrassed if the CGIL calls strikes affecting public works projects. His party obligations as a Socialist would incline him toward the strikers, but as a minister he would be aligned against the union.

Giorgio Bo, the left-wing CD Minister for State Participation, favors stricter government control over the state-owned industrial firms. Bo is a good administrator and he has had previous cabinet experience.

Giuseppe Medici, the new Minister of Industry, is primar-

ily an agricultural technician and economist without noteworthy administrative talent. He belongs to the center CD faction, but is unenthusiastic about the center-left.

Other Ministries

Luigi Preti, the new Minister without Portfolio for Bureaucratic Reform, has a reputation for energy and effectiveness in Social Democratic party affairs. Reform in public administration is long overdue. The executive branch seeks relief from the requirement of legislative approval for routine activities. Furthermore, salaries, pensions, and office facilities all need to be substantially augmented. The whole range of reforms envisaged would cost an estimated \$656 million, however, and the anticipated austerity measures may deter effective government action.





GIOLITTI



TREMELLONI



COLOMBO

Agriculture

Agricultural policy was one of the most difficult issues to settle in the formation of the center-left coalition. As finally worked out, the government program is somewhat ambiguous on both substance and timing. The elimination of sharecropping, for example, is to be "gradual and indirect." There is a call for decentralization of the cooperative organization, which is controlled by the politically important small farmers' association. Political resistance here may block early action, however. The head of the association, Paolo Bonomi, is one of the most powerful figures in the Christian Democratic party.

Agriculture Minister Ferrari-Aggradi (CD) returns to a post he held in 1958-9. He is a highly regarded economist and an excellent administrator.

Ferrari-Aggradi played a leading role in Italy's postwar economic recovery. He also helped to draft the economic sections of the coalition program.

The government is strongly committed to closing the economic gap between the impoverished agricultural South (including Sicily and Sardinia) and the industrial North. Special steps are to be taken to improve the southern work force and accelerate the development of industry in the area.

Giulio Pastore has been Minister without Portfolio for the South since early 1959. He is generally considered a competent minister. Pastore, a strong supporter of the center-left, was for many years head of the Christian Democratic labor confederation and this experience has been of considerable value to him in his ministerial post.





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and is strongly opposed to the rapprochement with the Socialists. He was retained in his post, despite PSI opposition, in an effort to reassure the US and other NATO powers--and to some extent the CD's right wing--that Italian defense policies would not waver.

Foreign Trade Minister Mattarella, a conservative CD, seems to stand generally for the status quo, but he might be influenced by industrialist pressure to increase trade with the Soviet bloc.

Outlook

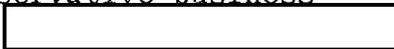
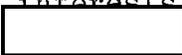
If the new government quickly demonstrates that it can deal effectively with Italy's present economic difficulties, its prospects for longevity will be brighter. The proposed austerity measures, however, will require postponement of many of the longer range program commitments for reforms.

The rightists will try to prolong the austerity period to prevent reform legislation. Right-wing Christian Democrats are certain to push such controversial issues as the MLF, both as a diversionary tactic and as a means of dividing the coalition. Moreover, the behind-the-scenes activities of

President Segni, who has consistently opposed PSI participation in the government, will be an important factor.

Communist attempts to deepen economic difficulties by pressing for immediate widespread wage increases will be especially troublesome, particularly if austerity remains the order of the day for a prolonged period. The PSI will be increasingly vulnerable to charges of foot-dragging on reforms. PSI leaders--who made substantial compromises to form the government--will feel that delay must be avoided to assure their following that they have not been "captured by the CDs."

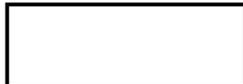
In such an atmosphere, the Moro government could also be vulnerable to attacks by prominent center-left proponents outside the present cabinet. Socialist leader Lombardi, who torpedoed the attempt to form a center-left government in June, refused to participate in this cabinet. Former premier Fanfani also declined to participate. Republican leader La Malfa was eased out of an appointment at the last moment. Potentially, at least, dissatisfied leftists may pose a more serious threat to the stability of the coalition than the maneuvers of conservative business interests



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The Education Ministry, which is to concentrate on building new schools and on establishing state kindergartens, is headed by Luigi Gui, a conservative Christian Democrat who is regarded as one of the more capable younger leaders. Friction is certain to arise over the perennial question of state financing of private (i.e., Catholic) schools. The CD is committed to give them state financial aid; the PSI is firmly opposed. In May 1962, Gui proposed spending \$640 million on schools during the period 1962-65, nearly all on public schools. He may favor a similar measure for the current legislature.

Interior Minister Taviani has had extensive cabinet experience in Interior, Defense, Treasury, and Finance posts. Strongly anti-Communist, he can be expected to use a firm hand against threats to public order.

Justice Minister Reale, a firm supporter of the center-left concept, is expected to give prompt attention to revising the civil and penal codes, particularly those parts--dating back to the Fascist era--which deal with labor and "equality of sexes."

Foreign Affairs and Defense

Foreign Minister Saragat is new to this post, but has long held strongly pro-US views. He reiterated some of these views in his recent Paris talks with Secretary Rusk. He also told Rusk that the majority of the government is "already convinced" of the value of the MLF.

Giulio Andreotti, who has held the Defense post since early 1959, is regarded as competent

[Redacted] He is a right-winger

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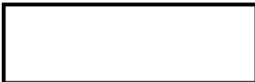
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ANDREOTTI



MATTARELLA



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